

News Release



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Assistant Secretary Combs Testifies on Bush Proposal To Strengthen Defined Benefit Pension Plans

WASHINGTON – Ann L. Combs, Assistant Secretary of Labor for the Employee Benefits Security Administration (EBSA), today testified on the Administration's proposals to enhance disclosure and safeguard against pension underfunding to strengthen defined benefit pension plans.

In testimony before a joint hearing of the House Education and Workforce Subcommittee on Employer-Employee Relations and the House Ways and Means Subcommittee on Select Revenue Measures, Combs said, "One of the Bush Administration's hallmarks has been an aggressive agenda to improve retirement security. Defined benefit plans are an important source of guaranteed retirement income and must be encouraged. Benefit promises made to workers and retirees must be kept."

To improve the transparency of pension plans, the Administration is proposing that all companies disclose the value of their defined benefit pension plan assets and liabilities on termination basis in the annual reporting provided to their participants and beneficiaries. "Workers, retirees and financial markets need accurate and timely information," Combs said.

The Administration also proposes that certain financial data already collected by the Pension Benefit Guaranty Corporation (PBGC) from companies sponsoring pension plans with more than \$50 million in underfunding be made public.

To safeguard against further deterioration in pension funding, the Administration proposes that companies with below investment grade credit ratings whose plans are less than 50 percent funded on a termination basis cannot grant benefit increases, continue benefit accruals or make lump sum distributions unless the company contributes cash or security sufficient to pay for them. Workers and retirees at these companies bear the greatest risk of seeing their retirement benefits cut.

The full text of the testimony is available on EBSA's Web site at www.dol.gov/ebsa/newsroom/testimony.html.

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